E-L FINANCIAL CORPORATION LIMITED

1974 Annual Report

Contents

E-L FINANCIAL CORPORATION LIMITED

The Year at a Glance

7th Annual Report

	1974	1973
Net Premium Income		
General Insurance	$ 47,191,000	$ 40,093,000
Life Insurance	29,296,000	27,639,000
Total Net Premiums	76,487,000	67,732,000
Total Revenues	92,117,000	81,221,000
Statutory Operating Earnings (Loss)	(676,000)	2,911,000
Statutory Earnings Including Capital Gains	2,118,000	4,278,000
Total Assets	257,732,000	234,926,000
Capital, Surplus & Investment Reserves	37,155,000	34,707,000
Life Insurance in Force		
Individual Lives	1,073,895,000	994,659,000
Group Insurance	888,373,000	642,905,000
Total Life Insurance in Force	1,962,268,000	1,637,564,000
Statutory Earnings per Share		
Operating Earnings (Loss)	(.20)	.86
Earnings Including Capital gains	.63	1.28

NOTE- Per share earnings figures assume full conversion of the Company's convertible preferred stock.

Volume figures for New Life Insurance effected and Insurance in Force are expressed net of reinsurance ceded.

ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders will be held at 12:00 noon Toronto time on Thursday, May 1, 1975 at the Company's head office, 165 University Avenue, Toronto. All shareholders are invited to attend.

Board of Directors

HONOURABLE LOUIS P. BEAUBIEN
Member of the Canadian Senate

E. KENDALL CORK
Vice President and Treasurer, Noranda Mines

JAMES V. EMORY
President, United Corporations Ltd.

PETER S. GOODERHAM
Executive Vice-President, Wills, Bickle & Co. Ltd.

H. NORMAN HANLY
former President, The Dominion of Canada General Insurance Company

KENNETH G. HUTCHISON
President, The Dominion of Canada General Insurance Company

HENRY N.R. JACKMAN
Chairman of the Board, The Empire Life Insurance Company

HENRY R. JACKMAN, O.C., K.St.J., Q.C.
President, Dominion and Anglo Investment Corporation Limited

W. LEO KNOWLTON, Q.C.
Director, Canada Permanent Trust Company

HENRY E. LANGFORD, Q.C.
former Chairman, Ontario Securities Commission

ROBERT M. MacINTOSH
Executive Vice-President, Bank of Nova Scotia

BRIAN R.B. MAGEE
Chairman of the Board, A.E. LePage Limited

RT. HONOURABLE D. ROLAND MICHENER, C.C., C.M.M., C.D., P.C., Q.C., LL.D., D.C.L.
former Governor General of Canada

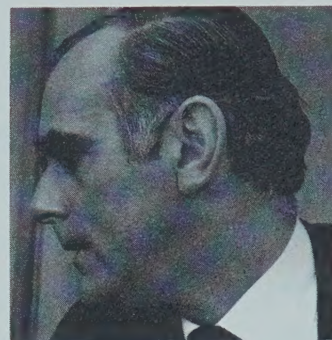
J. STUART M. WASON, F.F.A., F.C.I.A., A.S.A.
President, The Empire Life Insurance Company

Officers

HENRY N.R. JACKMAN	PRESIDENT
KENNETH G. HUTCHISON	VICE-PRESIDENT
J. STUART M. WASON	VICE-PRESIDENT

Remarks of the President

MR. HENRY N.R. JACKMAN



In 1974, E–L Financial Corporation Limited experienced its first operating loss since it was incorporated in December, 1968. This net operating loss of $676,000, or 20 cents per share, compares with a profit of $2,911,000, or 86 cents per share, for 1973.

GENERAL INSURANCE

1974 was the worst general insurance underwriting year in Canadian history with an industry-wide underwriting loss now estimated at more than $250 million. The reason for such a dramatic loss can be summarized in one word – *"inflation"*.

The staggering increases in the cost of automobile and home repair bills has been greater than our industry's ability to raise premiums or reduce costs. Coupled with this has been an unprecedented increase in the size of settlements awarded by juries for personal injury claims.

The Dominion of Canada General Insurance Company, your general insurance subsidiary, experienced a 1974 underwriting loss of $7,024,000. To put that figure in perspective, it equalled the entire accumulated underwriting profit of that Company for the past 10 years. This loss includes a provision for strengthening our claims reserves by approximately $2.6 million, mostly for claims incurred prior to 1974. The inflationary increase in the cost of claims made the original provision, which was satisfactory only a year ago, now completely inadequate.

Record investment income on our capital and reserves during 1974 reduced the actual loss on general insurance operations to $2,911,000.

Inflation has also adversely effected security prices. Investors are demanding a much higher return on loan and investment capital. The decline in security values, coupled with the large underwriting losses, has strained the industry's capital resources. Under Canadian law, the "authorized" values of a general insurance company's investments for government statement purposes are market values. At year end the general reserve for investments and contingencies of E–L Financial Corporation was increased to $14,000,000. Consequently, the authorized values of our investments are well in excess of book values on the balance sheet less the investment reserve.

A number of steps have been taken to correct the underwriting situation. We are cutting costs and I am happy to report the Dominion of Canada's expense ratio declined again in 1974 for the fifth consecutive year. Premium rates have been raised, insured values have been increased to real values, and the length of policy terms has been reduced to offset the effect of inflation on the cost of claims.

Shareholders should be conscious, however, that these remedies are of a long-term nature. A rate increase in January, 1975, cannot be translated into earned premiums until each policy is renewed. Even then the higher premium can only be taken into income gradually over the life of the policy.

Consequently, it would be premature to expect an immediate turn-around in underwriting profits.

LIFE INSURANCE

The shareholder's share of profits in our two life insurance subsidiaries totalled a record $2,214,000 during 1974 – more than double the shareholder's earnings of any previous year. Life insurance sales were again at record levels with the volume of new business totalling $345 million, a 25 per cent increase over 1973. At year end, life insurance in force totalled $1,962 million, of which $1,074 million was on individual lives and $888 million was group insurance.

VICTORIA & GREY TRUST COMPANY

E–L Financial Corporation holds as an investment 18.5 per cent of the outstanding common shares of the Victoria & Grey Trust Company. Victoria & Grey – Canada's largest trust company, operating solely in Ontario – experienced a most satisfactory year during 1974. Earnings of Victoria & Grey have been taken into the consolidated accounts of E–L Financial Corporation only to the extent of dividends received.

INFLATION

The most persistent problem plaguing your Company – and all businesses, for that matter – continues to be inflation. I commented on this at some length in my last annual report and, regretfully, feel it is necessary to do so again.

Since 1971, there has been a remarkable correlation between the increase in the cost of living and the rate of growth in the money supply. During 1974, Canada once again experienced an unprecedented expansion of the money stock, coupled with a record increase in bank and consumer loans. As there was no comparable growth in the production of goods and services, this inspired another round of price inflation at an annual rate of around 12 per cent.

The cure for inflation is simple. *The way to stop inflation is to stop inflating the money supply.* But governments are unprepared to accept the political consequences of being a part of the solution, perhaps because they are so much a part of the problem.

Governments have built up public expectations of ever-increasing services from government. But governments are reluctant to raise taxes to cover increased expenditures. Instead they opt for inflating the money supply by simply printing more currency and permitting more credit.

Let's examine the record for Canada. Since 1967, the federal government alone has increased its expenditure from $7 billion annually to $28 billion – with a further 27 per cent increase estimated for the coming year. All governments now represent 40 per cent of Canada's gross national product. If Crown corporations and other publicly-owned corporations, such as the CNR and Ontario Hydro, are included, then government's share of the national economy is more than 50 per cent.

Consequently, the private sector's access to the capital market has decreased and productivity has declined as government expands.

Furthermore, the steadily encroaching government shadow on the economic and social attitudes of Canadians has developed a new belief in the ability of government to keep the economy on an even keel. Inflation, in many minds, is no longer a problem with a solution; it is a way of life to be coped with.

We are, therefore, witnessing "catch-up" economics with a

dramatic change in the buying behaviour of many Canadians. The growth in credit buying — as a means of indefinitely pushing the day of reckoning off somewhere into the future — has cultivated a new generation of credit-addicts. Almost everything can be bought on time today by almost anyone before prices go up tomorrow.

As a financial institution, we are concerned by the contagion of credit addiction as an escape from reality. Credit buying — and that is exactly what the government's excessive expansion of the money supply is — is a root cause of inflation. Credit addiction from the point of view of an individual, a family or society, is as damaging to our economic and social way of life as the addiction of drugs and alcohol. But, perhaps because government is on the same "trip" as most of the public, it sees no urgency in searching for a cure.

It is often argued that fighting inflation would create higher unemployment or, conversely, inflation keeps down unemployment. This trade-off theory, promoted by the "pop-Keynesians", is surely no longer valid.

Modern history records countless countries where debasement of the currency has resulted in a flight of capital, mounting unemployment and unprecedented hardship and misery for the people. Yet countries such as Germany where self control and monetary discipline are still in vogue can boast of increased productivity, trade surpluses, and full employment. Surely the spectre of runaway inflation must prove the "pop-Keynesians" to be wrong.

The Canadian government has chosen to bring equality, justice and stability to our economy and social way of life by expanding its subsidies, expenditures and assistance programs — financed by an ever-increasing money supply — financed by inflation, that most pernicious and regressive of all taxes.

And yet, regional disparities, unemployment, inequities in the tax system, the gulf between the rich and the poor, remain as critical as they ever were. The Economic Council of Canada has noted that we have one of the poorest productivity performances in the western world, and work stoppages (an expression of grassroots dissatisfaction with inflation) have been the worst of any major nation except Italy.

It is vital that government in this nation restore business and consumer confidence in the economy by dealing firmly with inflation — by containing the growth of government, containing the growth of the money supply, and restoring stability to the long-term capital markets, which have all but disappeared in many countries.

If governments continue to borrow at the expense of the private sector, the chances for us to gain increased productivity from new capital investment will be next to impossible. The outlook for the economy, in this event, is depressing.

Government should be capable of controlling, or at least tempering, the duality of unemployment and inflation — particularly as both fall most harshly on the same group of Canadians, the disadvantaged in social and economic opportunities.

In closing, we would like to thank all our agents and employees whose co-operation and loyal support are invaluable to the continued success of our company. To each and every one we extend our sincere appreciation.

Report on General Insurance Operations

Mr. Kenneth G. Hutchison

Current estimates indicate that the general insurance business in Canada sustained a record breaking underwriting loss in excess of $250 million during 1974. Our Company suffered its share of this adversity to the extent that despite record investment income, there was a net operating loss of $2,911,000 for the year. The underwriting loss was seven million of which six million was attributable to automobile insurance.

Premium income increased 17% to $47 million, largely due, in the automobile class, to rate increases and in the property lines to a combination of new business with increases in policy amounts to cover escalating values. However, incurred claims rose from $26 million to $38 million, an increase of 44% in one year.

The sudden and unpredicted adverse claims trend was a direct reflection of soaring automobile repair and replacement costs and unprecedented (in Canada) damage awards, rationalized by today's liberalized concept of "social justice", which have inflated claimant demands at all levels. These factors forced a substantial upward revaluation of our reserves both for current and prior years' unsettled claims, particularly those from 1973.

Corrective measures initiated in 1974 have been accelerated. Recognizing that rate inadequacy is the main problem, in addition to industry-wide rate strengthening effected in August 1974, further increases in automobile insurance rates have been imposed in January 1975 and April 1975 while rate levels will again be reviewed at mid-year. The additional premium income generated by these increases, as it becomes fully earned, should be sufficient to keep pace with current trends in claim costs.

In the fire class, provisional adjustments of 25% plus were introduced at year end pending extensive revision of various rating schedules now nearing completion. Dwelling rates, raised in November, have been further increased in February 1975 to an extent that varies by Province and by size of policy, but will average over 22%. Premiums in the miscellaneous casualty lines have also been strengthened.

Meanwhile we are receiving excellent agency co-operation in our campaign to increase insured amounts in line with mounting values. Three-year policies have been eliminated in favour of annual contracts. Automobile fleet rating discounts have been modified. Underwriting standards have been stiffened to refine our portfolio by selectivity rather than by bulk terminations, although we have withdrawn from some agencies. Premium payment terms to agents and brokers are being shortened.

A rate increase effected in January is only 50% earned in that year. Because of the time lag in earning premium increases and recognizing the extent of the 1974 rate deficiency, even with the corrective measures described, managment cannot forecast the restoration of an underwriting profit until 1976.

Throughout a year of pressures and problems, the loyal support of our field force and staff at all levels is deserving of a sincere vote of thanks.

Report on Life Insurance Operations

Mr. J. Stuart M. Wason, F.F.A., F.C.I.A., A.S.A.

Despite the pressures of double-digit inflation and the external influences of increasing unemployment and tight money, 1974 proved to be another year of satisfactory development both for Empire Life and for the Life Section of the Dominion of Canada General Insurance Company.

The total amount of new business written by the two companies exceeded $345 million compared with $276 million in 1973. Both companies established new production records and Empire Life maintained the growth pattern of participating insurance shown in recent years. A substantial increase in insurance sales, both individual and group, was recorded by both companies. However, keen competition from other financial institutions for new registered retirement savings had the effect of reducing our share of this limited market. Total business in force net of reinsurance ceded reached $1,962 million at year end. In contributing to this total the Dominion of Canada General achieved its five year development goal one year ahead of schedule.

The combined life insurance premium income of the two companies increased to $29 million which together with investment and other income of almost $12 million brought revenue for the year to $41 million compared with $38 million in 1973.

As a result of the rapid rise in interest rates during 1974, policyowners availed themselves of the favourable loan provisions contained in their policies to an increasing extent. This together with an increase in the number of policies surrendered for cash reduced the funds available for investment at a time when high yielding long term securities were available.

During the year $28 million was paid or credited to meet future commitments to policyowners or their beneficiaries. A number of measures were introduced for the better protection of consumers and we intend in the coming year to improve further our service to and communications with the public. Despite the economic uncertainties of 1974 the persistency of our business continued to be excellent and our mortality experience was again favourable.

The external influences previously mentioned had an adverse effect upon the cost of operations. Normal cost controls were overridden in a number of instances because of the high cost of short term borrowing required for the adjustment of cash flow imbalances and because of the higher costs of goods and services.

After allowance for income taxes and dividends to policyowners, shareholders net operating profit amounted to $2,214,000.

It should be noted that "statutory accounting" (under which your companies report to both shareholders and governments) penalize earnings during the early years of a policy and overstate earnings during a policy's later years. For the last three years the Empire Life Insurance Company, your company's principal life insurance subsidiary, has shown a much greater increase in the sale of "participating" policies than in the sale of policies where the policyholder does not participate in the earnings. The high acquisition costs of this new "participating" business must, therefore, be borne by the policyholders' fund. These costs are not deducted from the shareholders' earnings in this annual report. Should consumer preference shift back to non-participating policies, the large initial acquisition charges will be borne by the shareholders, resulting in lower short term statutory profits.

Total life insurance funds at year end exceeded $183 million and the net rate of interest earned increased to 7.17%.

On behalf of the Directors I would like to extend to all of our field and administrative personnel sincere appreciation for their loyal support and for the contributions which they made towards our continuing success.

Consolidated Balance Sheet - December 31, 1974

(with comparative figures at December 31, 1973)

ASSETS	1974	1973
Short term investments	$ 5,440,000	$ 4,020,000
Bonds and debentures	69,216,000	64,844,000
Preferred stock	15,084,000	13,405,000
Common stock	43,090,000	39,325,000
First mortgages on real estate	87,070,000	78,657,000
Real estate (less depreciation)	5,953,000	5,575,000
Loans on policies	11,412,000	9,622,000
Premiums in the course of collection	9,334,000	8,197,000
Investment income due and accrued	2,499,000	2,198,000
Segregated investment funds	7,560,000	8,702,000
Income taxes recoverable	730,000	239,000
Due from reinsurers and others	21,000	89,000
Other assets	323,000	53,000
	$257,732,000	$234,926,000

Auditor's Report

TO THE SHAREHOLDERS OF E—L FINANCIAL CORPORATION LIMITED

We have examined the consolidated balance sheet of E—L Financial Corporation Limited and subsidiary companies as at December 31, 1974 and the consolidated statements of income and shareholder's equity in surplus for the year then ended. Our examination of the financial statements of E—L Financial Corporation Limited and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries. The policy reserves and certain other liabilities to policyholders were determined and certified by the subsidiary companies' actuaries.

In our opinion, based on our examination and the certificates of the subsidiary companies' actuaries, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1974 and the results of their operations for the year then ended, in accordance with accounting principles as set out in note 1 applied on a basis consistent with that of the preceding year.

Toronto, Canada
Feburary 7, 1975

THORNE GUNN & CO.
Chartered Accountants

LIABILITIES

	1974	1973
Policy reserves	$141,476,000	$133,781,000
Unearned premiums	19,810,000	17,901,000
Provision for unpaid and unreported claims	30,407,000	23,209,000
Staff pension fund	6,339,000	5,638,000
Amounts left with company at interest	4,514,000	4,255,000
Outstanding cheques and bank advances	3,361,000	237,000
Premium and other taxes payable	523,000	436,000
Due to reinsurers and others	2,013,000	1,188,000
Amounts received, not yet allocated	591,000	907,000
Segregated investment funds (note 3)	7,560,000	8,702,000
Provisions for profits to policyholders	3,018,000	3,034,000
Dividends payable	75,000	75,000
Participating policyholders' equity in surplus	108,000	139,000
	219,795,000	199,502,000
Minority interest	782,000	717,000

SHAREHOLDERS' EQUITY

	1974	1973
Capital stock, fully paid (note 4)	1,773,000	1,773,000
Contributed surplus arising from issue of shares at a premium	41,000	41,000
General reserve for investments and contingencies	14,000,000	5,281,000
Surplus	21,341,000	27,612,000
	37,155,000	34,707,000
	$257,732,000	$234,926,000

Approved by the Board

Director, Henry N.R. Jackman

Director, Peter S. Gooderham

Consolidated Statement of Income

YEAR ENDED DECEMBER 31, 1974
(with comparative figures for 1973)

	1974	1973
Premium income	$76,487,000	$67,732,000
Investment and other income	15,630,000	13,489,000
	92,117,000	81,221,000
Deduct		
Claims incurred	43,801,000	31,486,000
Other benefits to policyholders	10,649,000	8,068,000
Increase in policy reserves and unearned premiums	11,619,000	12,949,000
Agents' commissions	10,316,000	9,333,000
Operating expenses	13,133,000	11,561,000
Premiums transferred to segregated fund	1,816,000	2,211,000
	91,334,000	75,608,000
Operating income before undernoted items	783,000	5,613,000
Income taxes	223,000	1,221,000
Premium taxes	1,616,000	1,346,000
	1,839,000	2,567,000
	(1,056,000)	3,046,000
Policyholders' and minority shareholders' portion of income (loss)	(380,000)	135,000
Net operating income (loss)	(676,000)	2,911,000
Profit on sale of securities (note 6)	2,794,000	1,367,000
Net income for the year	$ 2,118,000	$ 4,278,000
Earnings per common share based on full conversion of preference shares		
Net operating income (loss)	($ .20)	$ .86
Profit on sale of securities	.83	.42
Net income for the year	$ .63	$1.28

Consolidated Statement of Shareholders' Equity in Surplus

YEAR ENDED DECEMBER 31, 1974
(with comparative figures for 1973)

	1974	1973
Shareholders' equity in surplus at beginning of year	$27,612,000	$23,730,000
Add		
Net income for the year	2,118,000	4,278,000
Increase in shareholders' equity on purchase of subsidiary's shares	21,000	12,000
Transfer from policy reserves due to actuarial base change	844,000	
	30,595,000	28,020,000
Deduct		
Dividends	408,000	408,000
Transfer to general reserve for investments and contingencies	8,719,000	
Income taxes, prior year	127,000	
	9,254,000	408,000
Shareholders' equity in surplus at end of year	$21,341,000	$27,612,000

Notes to Consolidated Financial Statements DECEMBER 31, 1974

1. ACCOUNTING PRINCIPLES

The consolidated financial statements include the accounts of the following subsidiary companies:

E–L Investment Management Limited (wholly owned)
The Empire Life Insurance Company (95.54% owned)
The Dominion of Canada General Insurance Company (99.11% owned)
and its subsidiary company, The Casualty Company of Canada

The financial statements are prepared essentially in accordance with accounting practices prescribed, authorized or permitted by the regulations governing insurance companies for insurance company annual statements, except for modifications principally as to classification and format for the purpose of clarifying the interest of the holding company. However, in certain respects as indicated below in (a) to (d) they are not in conformity with generally accepted accounting principles applicable to companies engaged in other industries.

(a) Commissions and other acquisition costs relating to acquiring new business are charged to operations in the year incurred. Some allowance is made for amortizing part of these costs by use of the Canadian Modified method of computing actuarial policy reserves but this does not give full effect to the amortization of these costs over the term of the policies. The result is to penalize gain from operations in a period of business growth and to improve gain from operations in a period of decline.

(b) Agents' debit balances, office furniture and certain relatively minor other assets are excluded from the balance sheet.

(c) Life insurance and annuity reserves are computed on the basis of mortality and interest factors permissible by the respective regulations governing insurance companies and are in excess of those that could be computed on the basis of the companies' past experience.

(d) Twenty percent of the unearned general insurance premiums at the end of each year are included in income as an offset to the costs related to the acquisition of these premiums. This percentage is the maximum permitted by insurance regulations. Dominion's actual acquisition costs have been consistently in excess of this proportion of premium income. Accordingly, this statutory limitation tends to have an adverse effect on reported earnings in a period of premium growth and, conversely, a favourable effect in periods when premium income is declining.

Notes to Consolidated Financial Statements DECEMBER 31, 1974

2. VALUATION OF INVESTED ASSETS

The basis of valuation of invested assets other than the segregated investment fund is cost or amortized value, less amounts written off from time to time. The resulting book values after deducting the general reserve for investments and contingencies are in the aggregate less than values authorized by the Association of Superintendents of Insurance of the Provinces of Canada. The segregated investment fund is shown at quoted market value.

3. SEGREGATED INVESTMENT FUNDS

	1974	1973
Amount pertaining to staff pension fund	$ 926,000	$1,124,000
Policyholders' portion	6,381,000	7,248,000
Amount pertaining to shareholders' surplus including minority shareholders' portion $7,604 (1973 — $11,513)	253,000	330,000
	$7,560,000	$8,702,000

4. CAPITAL STOCK

	1974	1973
Authorized		
4,999,925 Preference shares, without par value, issuable in series		
10,000,000 Common shares, without par value		
Issued		
597,471 Series A convertible preference shares 2,736,567 Common shares	$1,773,000	$1,773,000

The Series A convertible preference shares are convertible into common shares on a share for share basis.

Share Purchase Warrants

531,478.5 Warrants to purchase 531,478.5 common shares of the company at $12 per share exercisable until December 22, 1978 are outstanding at December 31, 1974 and 1973.

5. SHAREHOLDERS' ACCOUNT

Under Empire Life's charter, shareholders are entitled to all profits from non-participating policies and that portion of profit on the participating policies equal to one-ninth of the amount paid to policyholders as dividends. For the years 1966 to 1974 an amount equal to one-ninth of the amount paid and provided for policy dividends on participating policies has been transferred from the participating policyholders' account to shareholders' account. A lesser amount was transferred in earlier years.

6. PROFIT ON SALE OF SECURITIES

	1974	1973
Shareholders' portion	$2,794,000	$1,367,000
Participating policyholders' portion	106,000	221,000
Minority interest	30,000	25,000
	$2,930,000	$1,613,000

The 1974 amounts for shareholders and minority interest are after deducting income taxes of $218,042 (1973, $150,200) and $1,958 (1973, $3,796) respectively.

7. OTHER STATUTORY INFORMATION

	1974	1973
Remuneration of directors and senior officers of the company	$219,414	$171,573
Depreciation and amortization	$ 96,038	$100,701

8. CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Due to the nature of the companies' operations a consolidated statement of changes in financial position would not be considered meaningful and has, therefore, not been included.

Summary of Consolidated Results

(all figures expressed in thousands of dollars)

	1974	1973	1972	1971	1970
Premium Income	$ 76,487	$ 67,732	$ 57,570	$ 52,409	$ 48,024
Investment and Other Income	15,630	13,489	11,948	10,599	9,613
Total Revenues	92,117	81,221	69,518	63,008	57,637
Claims and Other Benefits to Policyholders	54,450	39,554	32,071	28,772	25,684
Increase in Policyholders' Reserves	13,435	15,160	12,354	12,664	11,981
Expenses (including agents' Commissions)	23,449	20,895	17,551	15,930	14,769
Taxes paid to Governments	1,839	2,566	3,032	2,585	1,814
Profits paid or allocated to Policyholders	(380)	135	621	862	1,176
Net Operating Profit	(676)	2,911	3,889	2,195	2,213
Net Realized gains on security transactions and other extraordinary items	2,794	1,367	463	309	393
Total Net Profit	$ 2,118	$ 4,278	$ 4,352	$ 2,504	$ 2,606
Net Income					
per share (net operating income)	(.20)	.86	1.16	.66	.66
per share (including capital gains and extraordinary items)	.63	1.28	1.31	.75	.78
Assets					
Cash and Short Term Investments	$ 5,440	$ 4,020	$ 3.767	$ 3,683	$ 4,926
Bonds and Debentures	69,216	64,845	58,290	52,215	45,388
Preferred and Common Stocks	58,174	52,730	47,584	39,967	34,826
First Mortgages on Real Estate	87,070	78,657	71,544	69,352	67,137
Real Estate	5,953	5,575	5,623	5,723	5,759
Loans on Policies	11,412	9,622	9,151	9,053	9,104
Segregated Equity Funds	7,560	8,701	7,044	4,744	3,332
Other Assets	12,907	10,776	9,316	8,126	7,731
Total Assets	$257,732	$234,926	$212,319	$192,863	$178,203
Liabilities					
*Policy and Unearned Premium Reserves	$175,185	$166,022	$150,927	$137,333	$125,370
Reserve for Claims	30,407	23,209	19,877	18,407	17,008
Other Liabilities	11,859	7,815	6,974	6,215	6,845
Policyholders' Equity in Surplus	3,126	3,173	3,717	3,901	4,324
Total Liabilities	$220,577	$200,219	$181,495	$165,856	$153,547
Capital, Surplus and Investment Reserve	37,155	34,707	30,824	27,007	24,656
	$257,732	$234,926	$212,319	$192,863	$178,203

*including staff pension and segregated funds

Summary of General Insurance Operations

(all figures expressed in thousands of dollars)

	1974	1973	1972	1971	1970
Net Premiums Written					
Automobile	$ 32,540	$ 28,098	$ 24,838	$ 21,620	$ 18,351
Casualty	7,230	5,770	5,199	4,419	3,699
Fire	7,421	6,225	5,652	5,025	4,171
Total Net Premiums Written	47,191	$ 40,093	$ 35,689	$ 31,064	$ 26,221
Net Premiums Earned	$ 45,282	$ 38,593	$ 33,554	$ 29,428	$ 24,814
Claims Incurred	37,918	26,402	21,016	18,461	15,579
Operating Expenditures including Commissions and Premium Taxes	14,388	12,324	11,079	9,748	8,680
Underwriting Profit	$ (7,024)	$ (133)	$ 1,459	$ 1,219	$ 555
Investment Income	3,420	2,706	2,329	1.992	1,905
Net Profit Before Taxes	$ (3,604)	$ 2,573	$ 3,788	$ 3,211	$ 2,460
Income Taxes (Recoverable)	(693)	390	1,017	906	654
Net Operating Profit	$ (2,911)	$ 2,183	$ 2,771	$ 2,305	$ 1,806
Claims Ratio (to net premiums earned)	% 83.7	% 68.4	% 62.6	% 62.7	% 62.8
Expense Ratio (to net premiums written)	30.5	30.7	31.0	31.4	33.1
	% 114.2	% 99.1	% 93.6	% 94.1	% 95.9
Assets					
Cash and Short Term Investments	$ 4,870	$ 2,886	$ 3,447	$ 3,029	$ 3,251
Bonds and Debentures	24,443	20,935	16,924	15,046	13,606
Preferred and Common Stocks	30,738	27,541	25,039	21,764	19,079
First Mortgages	894	919	990	936	1,012
Real Estate	2,460	2,493	2,439	2,471	2,504
Amounts Receivable	9,593	8,048	6,989	6,119	5,622
	$ 72,998	$ 62,822	$ 55,828	$ 49,365	$ 45,074
Liabilities					
Unearned Premium Reserve	$ 19,810	$ 17,901	$ 16,401	$ 14,267	$ 12,632
Reserve for Claims	28,025	20,552	17,681	16,014	14,645
Other Liabilities	2,545	1,100	1,499	1,416	2,355
	$ 50,380	$ 39,553	$ 35,581	$ 31,697	$ 29,632
Capital, Surplus and Investment Reserve	22,618	23,269	20,247	17,668	15,442
	$ 72,998	$ 62,822	$ 55,828	$ 49,365	$ 45,074

Summary of Life Insurance Operations

(all figures expressed in thousands of dollars)

	1974	1973	1972	1971	1970
Net Premium Income	$ 29,294	$ 27,639	$ 21,881	$ 21,322	$ 21,803
Investment and Other Income	11,971	10,576	9,365	8,499	7,638
	$ 41,265	$ 38,215	$ 31,246	$ 29,821	$ 29,441
Benefits to Policyholders	$ 16,530	$ 13,152	$ 10,541	$ 10,310	$ 10,105
Increase in Policy Reserves	9,711	11,449	9,279	10,008	9,555
Expenses and Commissions	10,128	9,414	7,351	6,827	6,589
Taxes	1,305	1,171	1,002	927	531
Premiums to Segregated Funds	1,815	2,211	1,228	1,006	1,019
Profits allocated to Policyholders	(438)	80	733	837	1,143
Net Operating Profit	$ 2,214	$ 738	$ 1,112	$ (94)	$ 499
Assets					
Cash and Short Term Investments	$ (2,697)	$ 159	$ (232)	$ 300	$ 1,483
Bonds and Debentures	44,774	43,910	41,366	37,169	31,782
Preferred and Common Stocks	27,149	25,130	22,526	18,203	15,747
First Mortgages	86,176	77,738	70,554	68,415	66,125
Real Estate	3,494	3,082	3,184	3,252	3,254
Loans on Policies	11,411	9,622	9,151	9,053	9,104
Segregated Equity Funds	7,560	8,702	7,044	4,744	3,332
Other Assets	3,277	2,720	2,327	1,996	2,083
	$ 181,144	$ 171,063	$ 155,920	$ 143,132	$ 132,910
Liabilities					
Policy Reserves	$ 141,476	$ 133,780	$ 122,362	$ 113,373	$ 104,763
Amounts on deposit	4,513	4,255	3,595	3,042	2,679
Reserve for Claims	2,382	2,657	2,196	2,393	2,363
Staff Pension Fund	6,339	5,638	5,120	4,949	4,644
Segregated Equity Funds	7,560	8,702	7,044	4,744	3,331
Other Liabilities	1,439	1,572	1,452	1,365	1,371
Policyholders' Equity in surplus	3,126	3,173	4,150	4,302	4,754
	$ 166,835	$ 159,777	$ 145,919	$ 134,168	$ 123,905
Capital, Surplus and Investment Reserves	14,309	11,286	10,001	8,964	9,005
	$ 181,144	$ 171,063	$ 155,920	$ 143,132	$ 132,910
Net Interest Earned	% 7.17	% 6.89	% 6.75	% 6.58	% 6.36
Insurance in Force					
Individual Lives					
Whole Life and Endowment	$ 540,596	$ 501,681	$ 465,209	$ 440,786	$ 421,936
Term Insurance	429,673	393,681	365,436	339,305	327,169
Annuities	69,701	63,632	40,757	25,965	19,950
Health Insurance	3,563	3,520	3,718	4,104	4,087
"Equity" Insurance and Annuities	30,362	32,145	26,421	25,471	22,520
	$1,073,895	$ 994,659	$ 901,541	$ 835,631	$ 795,662
Group					
Life Insurance	$ 602,213	$ 426,174	$ 343,653	$ 312,924	$ 295,217
Annuities	166,226	130,497	79,069	60,211	54,782
Health Insurance	119,934	86,234	72,738	96,741	92,495
	$ 888,373	$ 642,905	$ 495,460	$ 469,876	$ 442,494
Total Insurance in Force	$1,962,268	$1,637,564	$1,397,001	$1,305,507	$1,238,156

NOTE — Volume figures for Life Insurance in Force are expressed net of reinsurance ceded.

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